

to continue to try to do the business of the American people even though sometimes it is difficult.

I yield the floor.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business for up to 60 minutes, with Senators permitted to speak therein for up to 10 minutes each, with the first 30 minutes controlled by the Republican leader or his designee and the last 30 minutes controlled by the majority leader or his designee.

The Senator from Utah is recognized.

EXPRESSION OF SYMPATHY

Mr. BENNETT. Mr. President, before I begin my statement with respect to tax day, I wish to pause and express on behalf of the people of Utah our great sympathy for and anguish over the tragedy that has occurred in the State of Virginia.

I was once a resident of the State of Virginia, and I now am a physical resident of the State of Virginia while remaining a legal resident of Utah, and I feel close to the people of Virginia.

Virginia is known for its system of colleges spread throughout the State, in magnificent rural settings. Blacksburg, VA, is one of those settings, and Virginia Tech is one of those colleges. It comes as an enormous shock, and a sense of horror, to discover that a single student can be sufficiently disturbed in this quiet kind of setting to vent all of his demons in such a manner.

I want the people of Virginia and the students and parents of Virginia Tech to know they are not alone in their horror and their grief and to share that on behalf of the people of Utah whom I represent.

TAX DAY

Mr. BENNETT. Mr. President, today is tax day, the day when most of us file for an extension so we can have another 3 months or so to work through the problems connected with our taxes. I wish to review the history of our tax system and the groundwork for an attempt to try to solve some of its serious problems.

One of the reasons we file for an extension is because the Tax Code itself is impenetrable. There are few—or I would say if any—who understand it. I remember when I was a very junior Senator here on the floor talking about health care, when President Clinton's administration was pursuing that, and making the point on the floor that the

law was absolutely beyond comprehension. I quoted James Madison, who said that the laws should be understandable, and that was part of his justification for the writing of the Constitution.

Senator Moynihan, the Senator from New York, corrected me; that is, he disagreed with me. He stood up and said: Senator, we have long since passed the point where the laws are understandable. Look at the Tax Code; there is not a soul on the Earth who understands that, so do not make the fact that the health care bill is incomprehensible a justification for defeating it.

I do not know how serious he was. Senator Moynihan was known for his sense of humor, but he was also known for his ability to go to the heart of the issue.

Let me review the history of where we got our tax systems—and yes, the last word is plural because we have basically two Federal tax systems in this country. We have the payroll tax, and we have the income tax. Both were adopted during the period of the Great Depression.

Stop and think about the conditions which existed at that time. We were in the worst economic contraction of our history. The American unemployment rate was running not only in double digits but as high as 25 percent. Of the 75 percent who still had jobs, many of them had jobs that were not adequate to their needs. It was a devastating psychological time. The historians who talk of it say that many of those who were unemployed would get up in the morning, put on their suit and tie, put on their hat, and leave the house as if they were going to work because they did not want the neighbors to know they were unemployed. The stigma of unemployment was psychologically almost as devastating as the financial stigma of being unable to meet one's bills and pay one's mortgage.

The second circumstance that was present at the time of the Great Depression was that we were in the center of the industrial age. All of us, as we went to school, remember being taught about the industrial revolution when we shifted from basically an agricultural economy to predominately an industrial economy, an economy of factories, an economy of mass—mass building, mass production, mass communications. Everything was industrialized.

The third situation that applied in those days was that our economy was basically protected by two oceans. We were insulated from the rest of the world in a very real, physical, geographical sense.

Stop and think about these three interacting with each other—serious economic contraction in the midst of the industrial age at a time when we were self-contained between two oceans. Ask yourself whether those three conditions exist today.

We are in the midst of the longest running expansion in our history, not

contraction. We are in the midst of this information age, not the industrial age. The focus of America, just as it shifted from agriculture to industry, has now shifted to the information age, and the richest man in America is not the one who owns the most land, as was true in the agricultural age, or the one who owns the biggest factory, as was true in the industrial age, but the one who has mastered the capacity of the digital code, which is true in the information age.

Finally, we are clearly not confined to a land between two oceans. Money moves around the world, ideas move around the world, and concepts move around the world with the click of a mouse.

We do not have anything like the economic circumstances that prevailed when we adopted our present tax system. Yet we continue to perpetuate those tax systems as if they still apply to our situation.

The payroll tax penalizes the working poor. It is an effective tax rate of 15 percent on the waitress who works at minimum wage because 7½ percent she has to pay and 7½ percent her employer pays that otherwise she would get in her paycheck. That is a very high, regressive tax. When it started out in the midst of the Great Depression, it was 1 percent or 2 percent, and now it has grown to a 15-percent effective rate.

While the payroll tax penalizes the working poor, the income tax discourages the productive rich. The more you produce, the more the Government comes in and says: We will take that away from you.

I have said before in this Chamber, I was fortunate enough to be involved in building a business during what many newspapers called the decade of greed. Ronald Reagan was President, and the top tax rate was 28 percent. We had basically a flat tax system. It had two tiers, 15 percent and 28 percent, but it was moving us toward a simple system, a flat rate system. If I were running that same business today, the effective rate would be 43 percent, and the difference between 28 percent and 43 percent on the earnings of that company would probably make the difference between the company surviving or not. It started out not in a garage but in a basement. It grew to 4,000 employees. Think of the tax revenue coming from those employees, think of the tax revenue coming from that successful business. Then ask yourself: Would it have been a good thing to have prevented that business from coming on board in the name of high tax rates?

We need the tax revenue. We perhaps need more tax revenue than we are currently getting. I will grant that to my friends on the Democratic side. But I suggest to them a bargain. If we want to drive to a higher level of tax revenue, let's recognize we live in a very different world than we lived in in the 1930s, when we created our present tax system. Let's talk about eliminating

the payroll tax. Senator Moynihan was willing to do that. Let's talk about eliminating the present system of income tax and replacing it with a flat tax. Instead of saying we want to use the tax system to make economic decisions, using the tax system as the tiller to steer the economy, let's adopt the radical notion that the purpose of taxes is to raise money to run the Government, and then ask ourselves, how can we raise it in as simple a manner as possible, as efficient a manner as possible, as competitive a manner as possible, so that we recognize the reality in which we live—a tax system that is geared to an expanding economy rather than shrinking one, a tax system that is geared to the information age rather than the industrial age, and a tax system that is geared to a worldwide economy rather than one centered within our borders.

I am already having conversations with some of my Democratic friends on this issue. I think tax day is the day to talk about it. We disagree as to whether the President's tax cuts should be extended. I voted for them. I think they probably should be. But I am willing to scrap the whole thing, if my friends across the aisle will make a deal with us whereby we say: Let's start with a clean sheet of paper and produce a tax system that is geared to the realities of the economic circumstances we face. I hope in this Congress we can move in that direction.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Wyoming is recognized.

WORKING TOGETHER

Mr. THOMAS. Mr. President, I rise to talk about a couple of topics. Certainly we have a lot of issues facing us. We have a lot of things to do. Quite frankly, we have been moving rather slowly over the last several months. We have had one bill signed by the President. We need to decide how we are going to move forward. The leader was talking about the Republicans holding up bills, and so on. We need to understand that we are close enough in this Senate on numbers and voting that we are going to have to have some agreements on things before we lay them out. Neither side is going to be able to say, Here is the way we are going, because it is close. We do have different views. When there is legislation pending, the minority side has amendments they wish to offer.

On the other hand, I admit that sometimes the minority side wants to hold things up, and we can't do that either. So I hope we will look for a little more. I don't expect us to come together with everything, but we need to come together with a system which allows us to talk about our differences and to reach some agreements.

I wish to comment on a couple of issues. The first one, of course, is the one that almost everyone has on their

mind today, as the Senator from Utah indicated. This is tax day. Americans have reached deep into their pockets today to pay their Federal income tax. At the same time, we are straining to understand the Tax Code that governs how much we owe. It is very complicated. All of us understand that, particularly today, or as we ask for an extension, because it is so complicated and so difficult to actually arrive at a conclusion with respect to taxes.

I am not sure it has to be that way. The Senator from Utah has described some changes that ought to be made. We talk about that always at tax time, and then we seem to get away from it when tax time is over. We ought to stay in there and ask: How can we do this job? There have to be taxes paid. Obviously, there has to be some fairness among the taxpayers. But does it need to be this complicated? Does it need to be this technical? We find ourselves with a tax program that is designed by literally hundreds of programs that are more put in place to affect behavior and to affect how things are going to happen than they are for taxes. We will give tax relief for this, if you will do this. If you do this, we will give you tax relief over here. The next thing you know, we have such a complicated plan.

The average American has a great deal of trouble understanding and complying with the Tax Code. The vast majority of the taxpayers use tax preparers, even in the simplest of tax situations. We in Congress get frustrated with the lack of compliance with the Code; i.e., the tax gap that we hear so much about. It is apparently substantial in terms of the amount of money involved. But the average American is as frustrated by sincerely trying to comply with the system in most cases. I understand the tax gap. Maybe there are some people who are actually trying to avoid taxes. But often the tax gap is simply because of the complexity.

The good news, of course, is the economy is strong. That is good news. The economic policies of the last 6 years are working and have continued to contribute to the growth of the economy, to encourage investment, and to encourage job creation. Our economy has added jobs for 43 straight months; 7.8 million since August 2003. This is good, particularly when we look at the changes in the world economy. Again, the Senator from Utah was talking about that. As we continue to grow jobs, that is a very good thing.

The economy has added jobs to the extent of 7.8 million over this period of time. The national employment rate has fallen to 4.4 percent last month. Average earnings grew 4 percent last year. The elements of the economy are good. Interestingly enough, largely because of the Iraq situation, we don't hear much about the good economy or about the good things going on in the country. That is too bad. The strong economy has resulted in stronger tax revenues in 2006.

It is important, as we talk about taxes, that we maintain pro-growth taxes in economic policy, the idea of extending those tax benefits which have helped to bring about this growth is important. We are at a point where some of them will expire within the next couple of years. They are the kinds of benefits that one needs to know about before tax time so investments can and will be made because of the benefits. The policies in place are working. I don't think we ought to mess with success. At the same time, we have already passed as part of the budget an almost \$1 trillion tax increase. Additionally, the budget that was passed by the other side of the aisle increased spending and the size of Government. I am concerned about that. These policies will undo all the good that has been done over the last several years. It is kind of a game: What taxes are you going to have to beat to offset spending now and saying it doesn't need to be. But the fact is, it does. From 2008 to 2011, the budget will increase the deficit by \$440 billion and increase the gross debt by \$2.2 trillion, if we go on as is now suggested. The budget ignores the impending Medicare and Social Security crises. In fact, it would make it even worse by spending more than a trillion of the Social Security surplus.

When we talk about taxes, we also have to talk about the size, scope, and role of the Federal Government. It is time we look at some of the things we are doing and wonder why they need to be done by the Federal Government and whether, in fact, they should be done by State and local governments or, in fact, the private sector. We should not be using tax policy as a substitute for direct appropriations and encouraging behavior. That is what we have gotten into. We have talked a lot in recent years about tax reform. It is high time we put it into action, whether it is a flat tax, which is difficult to understand but is used in some places around the world—it seems to be workable—or whether it is a tax that is put on the items that people purchase which would be a little difficult to sell. An acquisition tax is one that is being talked about. But we ought to get away from the behavior tax and get back down to a simplified tax.

We need taxes. The Government has to be funded and should be funded in a fair way. But it needs to be done in a different way.

Let me move to Medicare and the noninterference issue that may be coming up very soon. That is the competition on the Part D program by having the Government do the sort of work that needs to be done in the private sector and having a change in the way this thing is operating. I think Part D, which is rather new and still being incorporated but is pretty deeply involved in participation at this point—90 percent of Medicare beneficiaries have drug coverage—is very good. Folks are saving a considerable